

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Approval of Minutes November 7, 2002

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: December 5, 2002

INFORMATION: _____

PRESENTER(S): Chairperson

Please see the attached minutes of the November 7, 2002, meeting of the Teachers' Retirement Board.

PROPOSED
MINUTES OF THE
TEACHERS' RETIREMENT BOARD
OPEN SESSION
THURSDAY, NOVEMBER 7, 2002
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA 95826

BOARD MEMBERS PRESENT

Gary Lynes, Chairperson
Karen Russell
Carolyn Widener
Annette Porini, representing the Director of Finance, B. Timothy Gage
Louis Willhoit, representing the State Controller, Kathleen Connell
John Hiber, representing the State Treasurer, Philip Angelides
Richard Whitmore, representing the Superintendent of Public Instruction, Delaine Eastin

STAFF PRESENT

Jack Ehnes, Chief Executive Officer
Christopher Ailman, Chief Investment Officer
Christopher Waddell, Chief Counsel
Peggy Plett, DCEO, Administration and Client Benefits and Services
Laurence Martin, DCEO, Information and Financial Systems
Ed Derman, DCEO, External Affairs and Program Development
Bill Hobbs, Acting DCEO, Enterprise Initiatives and Technology
Mary Miles, Administrative Assistant
Maryann Avansino, Administrative Assistant

OTHERS PRESENT

Loretta Toggenburger, UTLA- R	John Baley, FACCC
Beverly Carlson, CTA	Lois Shive, CTA
Al Reyes, UTLA	Steve DePue, CTA
Michael R. Green, CTA	Norman Gould, CRTA
Susan Goff, CRTA	Pat Geyer, CRTA
Ellen Logue, CTA/NEA- R	Dolores Sanchez, CFT
Tammy Calderon, LACOE	Arleen Pavey

A quorum being present, Chairperson Lynes called the meeting to order at 9:45 a.m.

II. **APPROVAL OF MINUTES OF OCTOBER 3, 2002**

MOTION duly made by Ms. Porini, seconded by Ms. Widener, and carried to approve the minutes of the October 3, 2002.

III. **COMMITTEE REPORTS**

INVESTMENT COMMITTEE: Mr. Lynes, Chairperson of the Investment Committee, reported the Committee heard a report on the Currency Task Force – Foreign Currency Policy, deferred action until December for policy refinement on the Real Estate – Responsible Contractor Policy, heard phase one of the Stochastic Asset/Liability Study, looked at the Equity Manager Rating criteria and received the monthly status reports on Credit Enhancement, Alternative Investments, and Real Estate.

MOTION duly made by Ms. Widener, seconded by Mr. Whitmore, and carried to approve the changes made in the Delegation of the Chief Executive Officer. Mr. Hiber abstained.

BY CONSENSUS, the Report of the Investment Committee was accepted.

BUDGETS AND AUDITS COMMITTEE: Mr. Lynes, Acting Chairperson of the Budgets and Audits Committee, reported the Committee approved the 2002/03 Budget Status Update and 2003/04 Proposed Budget – Facilities Management, and the CalSTRS Report on Audits of Basic Financial Statements and Supplemental Information as of June 30, 2002, and For the Year Then Ended, and the CalSTRS Report to Management and Annual Communications for the Year Then Ended. The Committee also received information items on the Quarterly Audit Status, School District Final Report, CalSTRS Service Retirement Process Preliminary Survey, Internal Audits Final Report – Soft Dollars, and the Internal Audits Follow-up Status Report.

BY CONSENSUS, the report of the Budgets and Audits Committee was accepted.

BENEFITS AND SERVICES COMMITTEE: Ms. Russell, Chairperson of the Benefits and Services Committee, reported the Committee received informational reports on the Cash Balance Benefit Program, Voluntary Investment Program, and the Level of Service Standards.

BY CONSENSUS, the report of the Benefits and Services Committee was accepted.

VI. **CHIEF EXECUTIVE OFFICER REPORT**

Mr. Ehnes reported Marty Mathiesen had resigned from the Board.

Mr. Ehnes stated next month he would provide an update on the reorganizing activities. He noted Peggy Plett was taking over the leadership of the benefits area and the information technology aspects of the organization have been brought together with Bill Hobbs as the acting Deputy Chief Executive Officer over that area.

The Annual Update process has been completed and the annual statements of account will now show both the Defined Benefit and the Defined Benefit Supplement (DBS) amounts. The statements will be sent out on November 27. The process was accomplished one month early with a savings of 100 hours of computer time reducing the cost of the process by about 79% with a cost savings of about \$150,000. Mr. Lynes commented on the usefulness of the milestones portion of the annual statement and the need to include an

explanation of the DBS Program, where members can get additional information and where to request forms.

V. **UPDATE ON LEGISLATION**

STATE: Mr. Derman provided information on the Board Election Bill and discussed the decisions needed to be made regarding the campaign/election process and a number of changes to the legislation due to ambiguities that need to be corrected in order to conduct the election in a reasonable manner. Mr. Whitmore asked whether sponsoring such legislation was consistent with the Board's current policy with respect to the Board's governance on legislation. Mr. Derman was instructed to bring this back as a policy change for next month's meeting.

Dolores Sanchez, CFT, stated she is looking forward to working with CalSTRS to act as co-sponsors of the legislation and help in securing an author.

Ms. Russell asked that staff incorporate in their search for an election vendor the possibility of providing the option for a web-based election.

FEDERAL: Mr. Derman stated that the Elk Hills money was not in jeopardy but that it may take longer for the System to receive it.

VI. **TRAVEL**

MOTION duly made by Mr. Whitmore, seconded by Ms. Russell, and carried, to approve the proposed Board travel as requested. Mr. Willhoit and Ms. Porini abstained.

There were no staff travel requests.

MOTION duly made by Mr. Whitmore, seconded by Ms. Russell, and carried to approve the travel summaries as presented.

VII. **CONTRACTS EXCEEDING \$500,000**

Ms. Plett presented this item. Mr. Hobbs answered questions regarding the services for this contract and explained the contract was for services related to the Defined Benefit Supplement and is a continuation of service from the contract established by sole source in January. Mr. Hiber requested that approval for these types of contracts be brought before the Board prior to work beginning.

MOTION duly made by Ms. Russell, seconded by Ms. Widener, and carried to approve the contract for World Group Consulting as presented. Mr. Hiber abstained.

VIII. **BOARD MEETING CALENDAR**

Mr. Ehnes presented the proposed Board Meeting calendar for 2003.

MOTION duly made by Ms. Widener, seconded by Ms. Porini, and carried to approve the 2003 Board Meeting calendar as presented.

IX. **DRAFT AGENDA FOR THE DECEMBER REGULAR MEETING**

Mr. Ehnes stated he would be presenting the organizational changes in his December Chief Executive Officer report.

X. **ELECTION OF THE TEACHERS' RETIREMENT BOARD CHAIR AND VICE-CHAIR**

As required by the published Board Election Process, Chairperson Lynes delegated to Mr. Ehnes the responsibility and authority to run the election.

Mr. Ehnes requested nominees for the office of Chairperson of the Board.

MOTION duly made by Ms. Russell, seconded by Ms. Widener, to nominate Mr. Lynes as Chairperson of the Board. MOTION duly made by Mr. Whitmore, seconded by Ms. Porini, and carried to close the nominations. MOTION carried to elect Mr. Lynes Chairperson of the Board for 2003.

Mr. Ehnes requested nominees for the office of Vice-Chairperson of the Board.

MOTION duly made by Ms. Widener, seconded by Mr. Lynes, to nominate Ms. Russell as Vice-Chairperson of the Board. MOTION duly made by Mr. Lynes, seconded by Ms. Porini, and carried to close the nominations. MOTION carried to elect Ms. Russell as Vice-Chairperson of the Board for 2003.

Mr. Lynes resumed his role as Chairperson of the meeting.

XI. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC**

Mr. Gould, President of CRTA, announced that CRTA will again celebrate the California Retired Teachers Week on November 10 through 16. This is to honor retired teachers who have given their time, energy and compassion by volunteering in their local communities. Mr. Gould presented the Board a symbolic check of more than \$28 million dollars which represents the value of the 1.8 million hours retired members have volunteered in the past year.

XII. **MOVED TO CLOSED SESSION**

Chairperson Lynes moved into closed session at 10:30 a.m.

XIII. **ADJOURNMENT**

There being no further business to conduct, the meeting was adjourned at 11:15 a.m.

Jack Ehnes, Chief Executive Officer
And Secretary to the Teachers' Retirement Board

Gary Lynes, Chairperson